**What is the Labor Market?**

The labor market is the place where the supply and the demand for jobs meet, with the workers or labor providing the services that employers demand. The worker may be anyone who wishes to offer his services for compensation while the employer may be a single entity or an organization that is in need of an individual to do a specific job or to complete a task. The worker is then comparable to a seller while the employer is the buyer.

A common factor that connects the two entities is the salary or wage that is agreed to be received by the worker from the employer. In short, this is where workers can find work that suits their skills and qualifications, and where both agree on the wages, benefits, and other forms of compensation for the worker.

In the labor market, it is assumed that workers move to where there is a demand for their skills, whether this is in their local region or abroad. Moreover, they are also replaceable, which means that a person who can do the job better can be tapped to take over the other worker’s job. Furthermore, salaries are not fixed, meaning they can go up or down, depending on the worker’s performance. Wages or compensation is the highest motivating factor in the labor market.

**Demand and Supply**

The demand for labor follows the general economic law of demand. The price for labor is inversely related to the quantity of labor available in the market. This is just a fancy way of saying that employers will hire more people when wages go down, and will hire fewer people when wages rise. In other words, demand for labor increases as wages decrease, and demand for labor decreases as wages increase.

It's probably not too surprising to find out that the general economic law of supply also applies to the labor market. If the price of labor increases, then the supply of labor will increase. On the other hand, if the price of labor decreases, the supply of labor will decrease. In other words, as wages increase, more people will enter the labor market and compete for the higher-paid jobs, but if wages decline, fewer people will seek to compete. This is one of the reasons why overtime works - people are willing to give up some of their leisure time if they are paid enough to do it.

**Components of the Labor Market**

The labor market comprises four components, namely, the labor force population, applicant population, applicant pool, and the individuals selected.

1. Labor force population

The labor force population or labor force participation refers to the number of individuals who are available to work in a labor market. It considers all workers who are offering their skills and services for employment regardless of the industry they are in.

2. Applicant population

The second component is the applicant population which refers to the people who are applying for a particular job that suits their expertise and skills. Recruiters take a look first at the labor market and then look next for individuals who meet the skills and qualifications that are set for a particular job. For example, the people who are looking for IT, graphics design, and similar jobs belong to the same applicant population which is targeted by recruiters who are looking for this type of professional.

3. Applicant pool

The third component is the applicant pool, which is the actual number of people who initially signified their interest to apply for a particular job by sending in their resume. It may very well be considered the first part of the selection process where the recruitment department of a specific organization receives applications and screens them to determine who advances to the next round of screening.

4. Individuals selected

The fourth component is the individuals selected, which simply means the individual or individuals who’ve made it through the screening process and have been hired for the job. Of course, this is judged based on a number of factors, and the person is screened against a carefully determined set of qualifications.